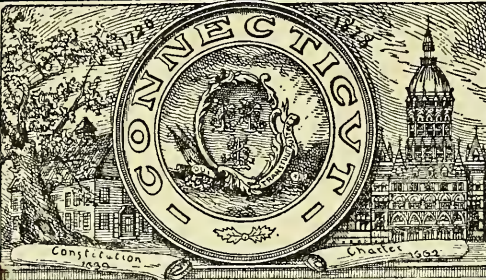


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COMMISSION ON STATE GOVERNMENT ORGANIZATION
FINAL REPORT

GENERAL SERVICES AND SUPPLY
(PURCHASING AND PROCUREMENT)

Survey Unit No. 15a

November 23, 1949

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PART I

FINDINGS AND RECOMMENDATIONS

FOREWORD: DEFINITION OF PROCUREMENT

Procurement, in business or government, signifies the management of supplies according to the needs of the operating departments. It is an over-all concept, not merely the function of buying. Procurement can here be defined as the function of getting, and having on hand when needed, material or certain services, with due regard to the necessity, price and quality. While this definition does not include construction contracts, it does include:

- Purchasing or renting
- Receiving
- Inspecting and testing
- Accepting or rejecting
- Storing
- Distributing supplies, materials
and equipment
- Salvaging surplus or obsolete stocks
- Maintaining records.

Proper procurement also includes adequate inventory controls and accounting procedures.

The significance of good purchasing is well express in the words of a bulletin of the Connecticut Health Department. The Department advises the taxpayer that, to stretch his personal dollar, he should "buy in season, read the labels, buy by weight, shop in less crowded hours." The State could well be guided by its own advice.

A good, over-all procurement job on the governmental level requires: using simple but adequate specifications; determining and forecasting the requirements with reasonable accuracy; going into the market at the best time; obtaining sound competition among responsible bidders; possessing a good knowledge of the commodities being procured, particularly how to obtain such commodities at the best possible prices; maintaining careful inspection and testing facilities; and operating a well-organized stores and distribution system. Except for a few situations where the complete job is centralized in one department, it is customary to find parts of the procurement activity decentralized, a condition which calls for effective administrative coordination. This is true even in agencies that are generally referred to as outstanding examples of centralized purchasing.

FINDINGS

GENERAL DESCRIPTION OF THE PRESENT ORGANIZATION FOR PROCUREMENT

The Supervisor of Purchases exercises two major functions. First, he advertises and wards contracts for supplies, materials and equipment; and second, he authorizes the purchase of these items by the using agencies.

At the present time, the State's purchasing activity is theoretic-

cally centralized; actually, it is almost completely decentralized. Even the contracts, which are advertised at public letting by the Supervisor of Purchases and awarded by him, are subject to the wishes of the agencies to such an extent that the contracts themselves state that no deliveries are to be made unless orders are issued by the agencies. This means that the central office is, in effect, simply a price-getting organization.

Within the present statute, the department can be changed from a price-getting to a procurement office, for the law gives the Supervisor the power to prescribe the methods of purchasing, inspecting and storing supplies, materials and equipment. It also gives him the power of advertising and awarding contracts and makes mandatory his handling of all transactions in excess of \$1000. Although some modifications of the law would be helpful, much can be done by administrative action to improve procurement practices.

With respect to the advertising and awarding of contracts, there are too few buyers, and they are only partly trained. At present, there is no one on the staff who is properly trained in the preparation of sound specifications.

As to supervising the purchases made by the agencies, an effort is made to scan the hundreds upon hundreds of requests that come in each week for authorization. However, when it is remembered that the buyers' own actual purchasing work, if properly done, is really more than a full-time desk job for each one, and that they spend much time in the field, it becomes apparent that, under the present circumstances, very little can be expected in the way of supervision of the purchasing work of the agencies. Furthermore, the buyers are so handicapped by the absence of a well-developed price-record system that they can do only a mediocre job, at best. Requisitions or orders do not always indicate whether they are placed against contracts previously made, so that it is impossible to tell whether an established price should be used or new prices obtained.

There is no record in either the Supervisor's or the Comptroller's office showing when such contracts have been completely filled. The contract procedure is further complicated by a statute¹ that requires the Comptroller to withdraw the funds for such contracts with the end of the fiscal year, thus cancelling the contracts. This is done without the knowledge of the vendor, who presumably might deliver later, only to find there were no funds to pay him. However, this situation is not likely to develop because the agencies merely recertify the cancelled portions of the contracts as obligations against the effect upon both budget forecasting and budget control.

The accompanying organization chart (Exhibit I) shows how the functions are purportedly distributed, at present, among the staff of the Supervisor's office. The largest single buying units among the agencies are in the Highway, Welfare and Education Departments and at the University. However, as noted later, in none of these nor in any of the other agencies or institutions have we found any individual qualified as a buyer by civil service examination.

1 General Statutes, Title II, Chapter II, Section 241.

Our field study included the storage and distribution of supplies by many of the agencies. The lack of modern storeskeeping equipment results in great waste of manpower, particularly where the services of institutional inmates are not available and the work is done almost entirely by civil service employees. There are, on the payroll of one institution, at least a dozen men now being used in the storehouse who could be transferred to other work simply by the introduction of a few thousand dollars' worth of modern storeskeeping equipment.

In general, the agencies depend upon a system of perpetual inventory as a means of controlling quantity. The system in use is relatively good; but we noted a considerable quantity of dead or obsolete stock and found no attempt being made to transfer it to other agencies which might use it. The amount of money tied up in inventory could be substantially reduced.

One outstanding picture of poor storeskeeping is to be seen on the basement and ground floors of the State Office Building. There, the agencies operate stockrooms occupying more than 10,000 square feet, as contrasted with the 370 square feet assigned to the Comptroller's one-room stockroom. These agency stockrooms carry stationery supplies of the same nature as the Comptroller's plus items of specialized printing needed for their departmental activities. However, since the Cheshire Reformatory is the source of the great bulk of printing for all of the agencies, it would appear more economical to carry the bulk of the stock at that location and bring it into the much more valuable and expensive space in Hartford on an "as required" basis.

At present, the Comptroller carries in his stockroom both printed matter and general office supplies; but in view of the inadequacy of his stock and the duplication of the items of general office supplies in the other storerooms, this practice should be discontinued. Until the law is changed and all stocks are placed under a general stores system in a new Department of Purchase, as proposed in this report, the Comptroller should limit his stock to printed stationery. As much of that as possible should be left at the source--Cheshire or elsewhere--to be delivered directly to the departments as they require it; all records, however, should be kept by the stockroom as at present. In other words, the Comptroller should go out of the miscellaneous stationery and supply business as soon as possible, thus, in effect, centralizing it in the purchasing office even under the present laws.

RESUME OF THE PROCUREMENT SYSTEM, CONTRASTED WITH GOOD PRACTICE

During the survey of Connecticut's current procurement practices, the project staff has found numerous departures from the ideal, as set forth briefly in the following:

What a Good Procurement System Requires:

What Has Been Found in Connecticut:

1. Well-developed specifications
1. Relatively few specifications are used; most purchases are made on the basis of brand name or inadequate description. Some specifications in use are poorly drawn; some contain ambiguous, inconsistent, inaccurate, incomplete, or irrelevant matter.

2. Careful determination of need and consolidation of requirements
2. For some items bought regularly, forecasts of quantity are well estimated by the agencies and by the Supervisor of Purchases. However, there is no advance. This great mass of items is purchased, agency by agency, in small lots at near retail prices, on almost a day-to-day basis, as the need for the items becomes apparent. Thousands of small orders (in amounts of \$25.00 or less) are placed by the agencies without the supervision of the Supervisor; many of them range in value from only a dollar or two, down to a low limit of ten cents.
3. Active competition among responsible bidders.
3. Millions of dollars worth of supplies are purchased each year with only the most meager competition. Of the remaining millions spent through the Supervisor's office on competitive bids at public letting, the method of determining the responsibility of bidders is very poor. There is no organized system for this determination.
4. A thorough knowledge of commodities and markets including trade customs. (This involves, among other factors, knowing the various price levels at which quantity discounts prevail and knowing what constitutes "broken lots," in order to determine the most economical purchases.)
4. In the Supervisor's office, four of the five buyers came through the Civil Service, but their buying does not give evidence of the "know how" which results from adequate training and knowledge of commodities and trade practices.¹ In the agencies, there are no buyers. The purchasing there is done by the business managers or clerical staff, whose knowledge of commodities is chiefly the result of ingrown agency experience.
5. Clearly written purchase orders that contain all pertinent information: continuing efforts to hold number of orders to a minimum
5. Purchase orders are poorly phrased, non-descriptive and frequently lack facts essential to proper understanding. Thousands of unnecessary orders are written.

¹ For detailed description of lack of "know how" in purchase of various commodities, see Sections V and VI, Supplement to Interim Report of Survey Unit 15a, dated October 3, 1949.

6. A well-organized inspection and testing program, with proper measuring tools and with inspectors who are as competent in their field as the buyers are in theirs. (Lax inspection can nullify a good purchasing job; it can destroy competition.)
6. There is no organized inspection service. One food inspector is attached to the Purchasing Division. The buyer of foods also serves as a part-time inspector. Other buyers often leave the office to view the purchased material. This adds to their education; but an awkward situation is created by permitting these men to inspect what they have bought, instead of having their purchases checked by other competent persons. Errors can easily be hidden.

Laboratory tests are seldom made except for engineered technical products.

Inspection in the agencies, such as it is, is generally done by receiving clerks or foremen, frequently persons not technically qualified to judge the commodities. The result, in most cases, is that the inspection becomes merely a count of the number of pieces or pounds received, with but little attention to the quality. Established U.S. grades or trade gradings are almost entirely overlooked in both buying and inspecting.
7. A well-run stores system, as an aid in determining standards. (It can make possible better purchasing through the pooling of requirements and establishment of grades that are sufficient, but neither too good nor too expensive for the purpose intended. It can insure a more uniform service to using agencies. When there is a well-run stores system, many miscellaneous small purchases can be eliminated, achieving an appreciable saving in paper work alone. The stores system should eliminate all "dead stock.")
7. There are two so-called central storehouses. One, operated through a small revolving fund, is for staple foods, textiles and general merchandise, housed in scattered, inadequate space at Wethersfield Prison (inventory value \$38,074.84). The other is the Comptroller's stockroom (inventory value \$8,031.57) in the State Office Building. It is a small, one room unit entirely inadequate for its purpose, which is to furnish stationery to all departments in Hartford.

Many of the agencies, particularly the institutions, operate storehouses; but there is no uniformity with respect to either the procedures followed, or the type of equipment used for materials

It should operate under an adequate revolving fund which, generally speaking, should permit a quarterly turnover of the inventory.)

handling. Equipment consists merely of various antiquated hand trucks, with no evidence of the mechanization which could effect large savings. Some stock is piled manually on the floor, higher than a man's reach, in a hazardous and time-consuming manner.

Many of the institutional storehouses are in rooms that happen to be available and unusable for other purposes. Some are damp, dark or otherwise insanitary. There are only a few storerooms that can be considered good or efficient. The inventory value in the agency stores, according to the Comptroller's office was in excess of \$3,000,000 during the fiscal year ending June 30, 1949.

8. A well-lanned program for the salvage and disposal of surplus or obsolete material.

8. The system used in Connecticut is hit-or-miss. A useless article might be carried on inventory for years.

If an agency reports an item to the Supervisor of Purchases as surplus or obsolete, arrangements are made for its sale. However, during an entire year, only \$200,000 in revenue was produced through sales by the Supervisor, and of this, 85 per cent came from the sale of obsolete motor vehicles.

9. A good system of records. (This will include those records: 1) necessary for control of work flow; 2) containing information of prices paid previously; and 3) presenting data regarding prior experience, adequate for forecasting requirements; etc. Maintenance of a good records system requires use of the best possible record-keeping and utilization techniques.)

9. The records system is inadequate and incomplete. Data essential to good control exist in the form of the original papers, but the summary records necessary to make these data of value to management are lacking: viz., the Supervisor does not keep records of purchase orders issued; the agencies do not consistently distinguish between purchase orders issued against contracts and those placed against open market bids; etc.

Tabulating equipment in the Comptroller's department is not coordinated with purchasing. Data of value in forecasting requirements is not placed on tabulating cards.

10. An adequate, competent and well-trained staff, with suitable accommodations of space and other facilities.
10. The Supervisor's office is undermanned; the staff lacks training. There are too few buyers, no engineering or specifications personnel and insufficient inspectional staff. The space allotted to this office is scattered and insufficient. There are no established bid or sample rooms, nor quarters for receiving and interviewing vendors and salesmen.

The success of a governmental purchasing organization can be greatly aided by full utilization of the civic and business talents in the community, through the medium of advisory committees. In Connecticut, at the present time, the use of such committees is quite informal and sporadic. We believe there should be a carefully planned program designed to derive the greatest benefit from the normal desire of citizens to be helpful in solving the problems which face their government. Trade associations, suppliers and other specialists might likewise be able to contribute to the program.

RESULTS OF THE PRESENT METHODS

Poor Records. Because of the nature of the records in the various agencies, it was not feasible to determine the precise number of purchase orders issued annually, nor their aggregate amount. However, we have attempted to make reasonable approximations. Using a yard stick, we measured the total depth of the files of purchase orders accumulated in the Supervisor's office for one year and counted the number of orders in a given distance. On this basis, we estimated that 75,000 purchase orders were written during the past fiscal year.

The records do not indicate what percentage of these orders was the result of bids received by the Supervisor's office; but it was evident, from inspection, that a vast majority of them had actually been negotiated by the agencies.

Excessive Paper Work. Thousands upon thousands of unnecessary purchase orders are written each year. It is interesting to note that each is prepared in six copies and has its correlated requisition and its standard invoice form--both also in multiple copy. Neither continuous forms nor one-time carbon "snap-out" sets of forms are used.

This excessive quantity of paper work results both from the poorly organized purchasing system and also, in part, from a statutory provision¹ which makes mandatory the use of purchase orders in many situations where they are totally unnecessary. Purchase orders are written for postage stamps, railroad travel and even for transfers of real estate. It would be conservative to say that, of the 75,000 purchase orders written in the State each year, 25 per cent of the manpower used in their preparation and handling represents complete waste.

¹General Statutes, 1949, Title III, Chapter 13, Section 269.

Ineffective Procurement. We have made a very careful spot check of the purchase orders filed in the Supervisor's office. We find that not only are numerous prices at least 10 per cent higher than they should be under scientific purchasing (illustrations are given in the supplement to the Interim Report of this project, dated October 3, 1949), but also poor specifications, non-pooling of requirements of the agencies, indefiniteness of quantities or delivery points, poor competition in bidding and lack of inspection and testing have made it impossible to secure the most favorable values.

RECOMMENDATIONS AND ANTICIPATED RESULTS

RECOMMENDATIONS

The comments throughout this report point up deficiencies in individual operations in Connecticut's present procurement system. To effectuate a cure, the present Purchasing Division of the Department of Finance and Control should be abolished and its staff transferred to a new Department of Purchase. This new department, backed by appropriate legal authority, should be charged with the responsibility and authority for administering the State's procurement program. It should be specifically directed to develop modern purchasing, stores-keeping and inspecting systems. Aiding the department there should be a Board of Standardization responsible for developing standards and specifications. In addition, this board should possess certain supervisory authority over the purchase of patented and other non-competitive articles.

For a more detailed discussion of the proposed department the personnel requirements and a suggested organization chart, see Part II.

It should be noted that, in the event complete revision of the purchase law is impracticable at present, much can be done under a stop-gap plan modifying the existing statutes along the lines indicated in Appendix A, attached.

We believe that the following recommendations cover the several areas of improvement necessary to the establishment of a modern economical procurement organization (recommendations 2 to 9 apply with equal force to either the long-range of the stop-gap plan for obtaining more for the tax dollar):

1. Recognize procurement as a service department, by enacting appropriate legislation (see Part IV for draft of proposed legislation).
2. Appoint capable and trained procurement executives.
3. Provide a staff of competent, experience procurement personnel.
4. Develop modern administrative procedures.
5. Develop modern purchasing, inspecting and storeskeeping methods.
6. Mechanize the clerical and storeskeeping activities.

7. Coordinate procurement with the other service functions at the management level.
8. Revise the General Statutes, 1949, title II, Chapter II, Section 241: For the phrase "unexpended incumbered balance" substitute the phrase "unincumbered balance."
9. Revise the General Statutes, 1949 Title III, Chapter 13, Section 269: Omit the mandatory use of purchase orders. Give the Comptroller power to handle by rules and regulations.
10. For temporary improvements, reorganize the present office of Supervisor of Purchases by enactment of appropriate legislation, as outlined in Appendix A, attached.

RESULTS THAT MAY BE EXPECTED

Improved Morale. Throughout the State agencies and institutions studied in this survey. there was found a lack of both knowledge and appreciation of modern purchasing and storeskeeping. If a new program were undertaken, the individuals who presently perform these duties in the various agencies would undoubtedly be stimulated to much greater effectiveness. We encountered instance after instance of discouragement because of the tremendous amount of red tape involved in the existing arrangements, and a lively interest in the possibility of improvement.

It should be mentioned that, generally, the personnel appears to be of rather high caliber, with much latent ability that would be invaluable in operating a better purchasing system.

Increased Efficiency. Substantial economies and improvements in operating efficiency would result from the modernization of the procurement set-up. For example, there would be a vast decrease in the number of purchase orders written. This, in turn, would reduce the amount of clerical effort required directly in the preparation of the orders and indirectly, in their processing. Improvements in warehouse methods of operation and facilities in the various agencies and institutions would likewise result in substantial economies.

Probable Costs. At first glance, it might appear that the recommendations in this report involve large additional expenditures. Actually, that is not the case. For one thing, it is contemplated that many persons now engaged in identical activities in the various agencies would simply be transferred to the new department.

True, providing a salary for a Commissioner (or an increase for the Supervisor, under the stop-gap program) and the additional administrative jobs that are recommended may involve an expenditure of approximately \$40,000 above the amount now being spent. Further, the addition of technically qualified buyers, inspectors and standardization employees might result in another increase of approximately \$70,000, so that the total added expenditure would be in the neighborhood of \$110,000.

However, the experience of other jurisdictions that have improved their purchasing procedures along the lines that are proposed herein, demonstrate that savings are immediate and far exceed expenditures. The savings that could be achieved simply from the liquidation of excess inventories alone would undoubtedly pay these extra costs for several years. In addition, there would be appreciable annual savings resulting from more intensive use of prison industries; from better utilization of the duplicating and business machine services of the various agencies; from eliminating the cost of performance bonds; from eliminating the present cumbersome and time-consuming real property inventory; from reviving and extending the typewriter service; and from the proper utilization and maintenance of State-owned automobiles. Additional savings are indicated in the control of salvage items, the adoption of quality standards and improvement of the price structure, a tremendous reduction in the volume of papers processed, and dozens of contingent benefits that would accrue as the plan unfolded under the administration of interested, competent personnel.

Anticipated Savings. The various recommendations set forth in this report provide for the installation of modern managerial and procurement techniques, coupled with the use of proper personnel under adequate guidance and leadership. In our opinion, the present wasteful proceedings can be stopped, and annual savings of \$2,000,000 can be realized.

APPENDIX A

Proposed Points for Stop-Gap Legislative Program to Amend the General Statutes:

1. Section 54e, 1939 Supplement (S.58d 1937)
 - a. Delete salary limit on salary of Supervisor.
 - b. Raise open market limitation from \$1000 to \$2500.
 - c. Provide mechanics for non-competitive purchases of patented or proprietary articles costing over \$2500.
 - d. Provide for a general storeskeeper charged with responsibility for developing and operating a modern stores system.
 - e. Provide for inspection and testing as a function of Supervisor.
 - f. Provide that specifications must be "based" on needs.
2. Section 191, 1949, Title 2, Chapter 9

Revise to make clear that purchasing is function of Supervisor.
3. Section 200, 1949, Title 2, Chapter 9

Revise to place authority for buying printing with Supervisor.
4. Section 241, 1949, Title 2, Chapter II

For the phrase "unexpended incumbered balance" substitute the phrase "unincumbered balance."
5. Section 269, 1949, Title 3, Chapter 13

Revise to omit manatory use of purchase orders. Give Comptroller power to handle by rules and regulations.

PART II

COMMENTS AND SUGGESTIONS REGARDING THE

PROPOSED PROCUREMENT ORGANIZATION

THE PLACE OF PROCUREMENT IN THE GOVERNMENTAL STRUCTURE

It is our considered judgment that procurement, instead of being placed in the State structure as a subordinate division in the Department of Finance and Control, should either be elevated to full departmental status and classified as a service department, or incorporated into the structure as the major unit of a new Department of General Services and Supply. Procurement is "big business" and, as such, should not be restricted to an inferior, non-autonomous position.

Prerequisite to full appreciation of the discussion which follows is study of the draft of proposed legislation, presented in Part IV, which provides for a modern procurement office.

The bill would create a strong service department, headed by a qualified commissioner solely responsible for 1) purchasing, receiving, inspecting, testing, accepting, storing and distributing supplies, materials and equipment; 2) disposing of surplus or obsolete materials; and 3) prescribing rules and regulations for such decentralized procurement as, in the commissioner's judgment, is necessary. In addition, the bill would provide for a Board of Standardization, to serve both as an agency for preparing, promulgating and enforcing specifications and as a regulatory body.

PROPOSED ORGANIZATION FOR THE PROCUREMENT FUNCTION

The form of the proposed organization and the general areas of authority of the key personnel are shown in the accompanying chart (Exhibit II). This plan is based upon the assumption of departmental status. Some slight modification of titles may be necessary if the procurement activity is placed within another agency.

The mere existence of a plan, however sound, will not automatically produce the desired results. The fulfillment of the aims of the plan can be realized only through the cooperative effort of able personnel at the detailed work level--paced by a certain amount of competition in accomplishment--and through the improvement of management in matters of interdepartmental concern.

Administration. It is suggested that the Commissioner of Purchase be appointed by the Governor to serve at his pleasure, and that, immediately below the Commissioner, there be four assistants (Deputy Commissioner, Director of Purchases, Supervisor of Purchases and Director of Stores), appointed by the Commissioner to serve at his pleasure. All five should be experienced in the procurement field and should have, as a minimum the qualifications set forth in the draft of the proposed bill.

The deputy commissioner, in addition to the general duties implied by the title, would be responsible for the areas of administration, per-

COMMISSIONER OF
PURCHASE

EXHIBIT II

sonnel, budget, standards and specifications, inspection and testing. The director of purchases would be in charge of all purchases made or supervised by the department. The supervisor of Purchases would be responsible for directing and inspecting decentralized procurement, in accordance with regulations promulgated by the commissioner. The director of stores would be responsible for developing and operating a modern stores system and for supervising the agency-operated stock-room.

As one of the basic functions of the commissioner is to prescribe methods of purchasing, inspecting and storeskeeping, it is contemplated that these four aides would, in addition to their separate functions, serve as an official Staff Committee on Regulations. This committee would be responsible for preparing regulations governing such methods for recommendation to the commissioner.

The inclusion in legislation of qualifications for such positions as directors of purchase and of stores may represent for Connecticut a new approach to the problem of securing competence in public office. It follows the example set by the Charter of the City of New York, which requires that directors occupying similar posts must have had at least five years' experience with large commercial organizations. The purpose is to bring into government individuals with thorough business training.

The State of Connecticut should benefit by having a similar arrangement. However, from our contacts with the business managers of the various agencies, we believe that there are persons presently on the payroll of the State who have the type of background and the qualifications for these jobs. Therefore, we have suggested five years of adequate experience with either commercial or public organizations, instead of adopting the New York City restriction of commercial experience only.

Specifications. Preparation of specifications would be carried on under the direction of the deputy commissioner. In addition to general and specific knowledge of commodities, the staff responsible for writing the specifications would require: 1) a familiarity with nationally developed standards and trade association sources; 2) a procurement; 3) a realization that specifications are legal documents and 4) an appreciation that specifications are tools for purchasing which are intended to make purchasing better, not to create strait jackets that prevent adequate and proper purchasing. Specifications should be no more technical than necessary for the particular commodity; on the other hand, specifications should be exactly as precise as the requirements dictate. The man writing specifications should understand specification writing, in addition to understanding commodities. He should be able to think clearly and to express himself in exact language. Ambiguity is incompatible with good specifications.

As for technical background, the staff of the specifications unit should include persons whose training combines to cover the fields of civil, mechanical, electrical and chemical engineering. In addition, the staff should include, or have access to the talents of, other individuals who do not have technical training of this type, but have thorough practical knowledge of the trades and of agency needs. Specification writing is a teamwork matter, and it is necessary to have balance in the points of view.

The specifications program should be under the supervision of a mature chief engineer, experienced in the preparation of commodity specifications, who would coordinate the activities with the requirements in the field and act as liaison with the other departments. He would also act as salvage engineer for the purchase department.

Buying. While the commissioner must give leadership and direction to the planning, development and operation of the new department, the chief responsibility for developing and operating modern purchasing practices will be the job of the director of purchases. He will be in day-to-day contact with the buyers and with the agencies. Being an experienced buyer himself, he should relieve the commissioner of a major portion of the supervision of the actual purchasing process.

The buyer is recognized throughout all wholesale and retail industry as a very important person having special knowledge of the merchandise, the trade markets, sources and manufacturing processes for the lines with which he deals. This knowledge is equally important for a governmental buyer who, in addition, should be acquainted with the use of the material in the agencies. He should know what qualities are sufficient, but not too high grade for the purpose intended and, generally, what quantities are required, at what times and at what places. He should be able to handle a volume of detail work under pressure, to evaluate specifications and bids and to make proper awards.

The governmental buyer should have a capacity for translating or editing ambiguous requisitions and the ability to confer successfully with both the users and the sellers of the merchandise. It will sometimes be necessary for him to prevent the purchase of unnecessary articles, or to pay more than the lowest dollar price in order to obtain better value for the dollar spent. These and other activities call for an effective personality and the exercise of good judgment.

He should be capable of logically advocating that the State establish processing units, if he believes, they would lessen costs: for instance, a coffee-roasting plant or a pharmacy for the compounding of simple drugs, just as the State now operates a cannery. The buyer should have knowledge of accounting and office procedure as of forms and terms of contracts, and of contract law; above all, he should be of the highest integrity.

The buyers appointed should be experienced specialists, although for a time it may be necessary for some of them to "double in brass". The major specialties should include: clothing and textiles; drugs and chemicals; fuels and lubricants; construction materials; hospital and laboratory goods; educational supplies; house furnishings; foods; machinery and automotive goods; office equipment and supplies; and printing. For some of these specialties, the buyer preferably should have an academic degree in the appropriate field.

Inspection. Inspection of delivered supplies begins where the specifications stop that is the inspector must measure what was received against what was specified. No satisfactory inspection system can be created without simultaneously developing more and better specifications; so it is suggested that the deputy commissioner's responsibilities include both activities--standards and inspection.

The theory behind placing inspection under the deputy commissioner, rather than the director of purchase, is to maintain checks and balances by preventing too close a camaraderie between the inspectors and the men engaged in actual procurement. Careful consideration was given to the place of the function of inspection, and it appears to us that the best efficiency should be secured by keeping it under the departmental control of the commissioner of purchases, but divorcing it from both buying and storeskeeping.

The inspection headquarters should be in the storehouse of the department at Portland, utilizing existing testing facilities and improving them as time and money permit. (See notes below, under "Stores Program")

With respect to specifications and inspection, the men assigned to these duties should be highly qualified and technically competent. They should have a knowledge of the commodities comparable to that essential for the men who buy, but this does not mean that inspectors should be buyers, or vice versa. It does mean that, in addition to the gift for inspection (which, as a skill, is different from the ability to purchase) the knowledge required would be comparable. In other words, a man who buys furniture should be complemented by a man on the inspection staff who knows how furniture is made and is familiar with the production problems in the trade, etc. The same is true with respect to other commodities. The man who buys food should know not only the food market, but food processing and quality, as well. The man who inspects should know as much about food as the man who buys it, because he should be able to recognize visually things that the purchaser understands from the documents that he handles. The specifications man should have knowledge of both phases, plus the ability to express the factors clearly in writing, so that the buyer, the seller, and the inspector may all see eye-to-eye.

Stores Program. It is recommended that a modern stores system be developed. The director of stores should determine and carry in stock those items of material that would best meet the needs of the agencies. He should publish and keep up to date a stock catalog of such items for ready reference by the requisitioning personnel. Use of the catalog would help to keep the various agencies informed concerning progress in the standardization of stock items and should promote further standardization of stock items and should promote further standardization. In the absence of a catalog, the using agencies could only guess at whether or not a particular item was available in stock.

The director of stores should ~~arrange~~ for adequate distribution of the catalog and carry on an organized program to educate the agencies in its use. Such a stock catalog need not be printed; in fact, it should not be, for quite a while to come. One practical method would be to keep it on punch cards, reproducing copies from listings. It could then be kept up to date by constantly revising the punch cards and periodically issuing correction notices.

However, responsibility for the full utilization of the stores system would have to be shared by the director of purchase. When the purchasing unit receives requisitions¹ calling for purchase of items that are in stock, it should be the responsibility of the director of purchase to have those items converted from purchase to stores issues.

In the stores program, the question of the kind of requisitioning system to be used should be given a great deal of study by the director of stores before the program is finally determined. There is no one standard method in general use, but most systems are based on one of the following:

1. One requisition for both purchase and stores issue;
2. One requisition for both, from which a second requisition is prepared for the issue of stores items;
3. Two original requisitions; one for purchase and a second for stores issue, combining the latter with a delivery ticket which serves also as a receipt.

The operation of necessary decentralized storehouses of the various agencies would be placed under general supervision of the director of stores. He would be responsible for devising uniform procedures and for working with the agencies toward the development of modern stores-keeping practices in those locations.

The nucleus for a central stores system can be found at three or four locations presently under the jurisdiction of various agencies. First, there is the unit at Wethersfield Prison, where considerably larger stocks of foodstuffs and textiles could be carried. Replacement of the present cannery building there by a new structure will soon make more space available. In the State Office Building, a very substantial office supply unit could be organized at the present time. At Rocky Hill, there is adequate space for setting up an institutional supply storeroom that could serve prisons, hospitals and schools. At Portland, space exists for storing general maintenance and operating supplies.

The long-range program for the State should include the planning and eventual construction of adequate stores facilities so located as to provide for the maximum of service and flexibility. However, immediate measures can be taken as just outlined, without additional expense for new buildings.

Office Space. Since the Supervisor's present office space is inadequate to house an enlarged department, it is suggested that the department be divided, temporarily, into two major parts, one to continue in the State Capitol and the other to be located in the State Office Building.

It is proposed that employees of the Department of Highways who are now engaged in purchasing work be augmented by employees of the Department of Education and the University, likewise engaged, to form the nucleus of the second part of the department. Under this plan, the Capitol Section of the department would purchase the general supplies required by the agencies. The section located in the State Office Building would purchase maintenance, highway and building supplies and similar items. An educational supplies unit might be set up as a subdivision in this section to handle orders for the Department of Education, the University and the occupational training units in the prisons and other institutions.

PURCHASING PROCEDURES

Purchase Orders. As stated elsewhere in this report, large numbers of purchase orders now are negotiated and written in the agency offices. With the field work spread over a large geographical area and with the occurrence of emergencies, it is impracticable to concentrate all the purchasing in a central office. However, the agency orders should be brought under the control of the central office and greatly reduced from their present excessive number and value, through forecasting of requirements, contract purchases for quantity groups, adequate supervision, etc. The forecasting could be greatly simplified by the use of existing tabulating machines and by adding suitable descriptive factors to the cards.

The prices to be paid locally should be determined under rigidly supervised regulations of the Department of Purchase. Likewise, a different and simpler form of purchase order should be used for these local purchases, possibly written in combination with the requisition, delivery slip and invoice, all in one typing operation. With this distinctive form, the central office could more readily study the local purchases to see whether the system was abused and what remedies should be applied.

Parenthetically, the number of orders would be reduced under the proposed Department of Purchase, as much of the material now bought locally would be furnished from central stores in scheduled deliveries, or sent direct from vendors under quantity contracts negotiated by the central office and the agencies by abandoning the present use of the purchase order form for postage stamps, railroad tickets, transfers of real estate, etc., and installing proper procedures for such items.

Still another present use of the purchase order form which should be changed occurs when one agency buys from another--a purely internal transaction. By use of a simple inter-office form, at much less expense, this can be reduced to a simple bookkeeping transfer of funds from one account to another. The costly paper work of the requisition and purchase order, and the issuance of a State check to a department which immediately deposits it in the State Treasury again, are pure waste.

Proprietary (Non-Competitive) Purchases. In order to continue the use of certain established features, it is necessary to purchase supplies, replacement parts, etc. from the original source. At present in the purchase of such proprietary items as, for example, experimental equipment, power plant apparatus, tabulating machines, door locks to be master-keyed, etc., there is no legal authority for direct purchase, without competition, when the value exceeds \$1000. The situation has been covered by informal agreement between the Supervisor and the Comptroller. This is in the best interest of the State, but it is without legal basis. These officials should not be exposed to penalties for this purely technical violation of the laws. A solution of the problem has been incorporated in the draft of proposed legislation (see Part IV, Sections 10 and 11). which provides for legal action by a board of standardization.

Requirement Contracts. The present practices in the placing of requirement contracts should be studied by the Department of Purchase, with a view to more intensive use of spot buying of commodities that lend themselves to this method. The requirement contract procedure, being closely related to the supervision of agency purchases and the analysis of the orders placed locally, should be developed to eliminate the present method of using so-called price agreements. These price agreements were adopted as a stop-gap measure, because of lack of manpower; but they have so out-grown their original concept that their content has become ridiculous, and purchases made under them are costly to the State. They should be reconsidered at once, even within the scope of the existing department. Two examples are the fields of drugs and automobile supplies; although bought from local dealers at a discount, these could be obtained at lower prices through arrangements made directly with the manufacturers.

A word should be said regarding the improving of present methods used for bid openings. When received, the bids should be perforated by a time-dating machine, so that all pages thereof are identified as having been filed before the bid opening time. The bids should be tabulated in public, not after the vendors have gone. Copies of the tabulation should be placed on public file for a reasonable time, so that bidders or others may examine them.

Performance Bonds. The present statute authorizes the Supervisor of Purchases to determine the amount of the performance bonds, if any, that he will require on bids and contracts. We believe he should determine such bonds to be unnecessary for purchases of supplies and equipment, and discontinue their use entirely. The elimination of bonds on supply contracts would result in annual savings running into tens of thousands of dollars. However, there should simultaneously be substituted for performance bonds adequate procedures for making certain that contracts are awarded to the lowest responsible bidder. If this were done, the performance bonds would be totally unnecessary.

The determination of responsibility should be made by a committee consisting of officials of the Purchasing Division and one member of the Attorney General's staff. Bidders whom it is proposed to disqualify should be entitled to a hearing and the minutes of the committee actions should be open to public inspection.

While the bonds are now required, it appears that they are rarely if ever called upon. Within the memory of the Purchasing Division, never has a suit been brought to collect on the bond.

INSURANCE

In conjunction with this project, the matter of insurance is being studied in consultation with a group of Connecticut insurance executives, with the idea of simplifying the State's insurance buying. The results will be presented in a special report to the Commission.

PART III

COMMENTS ON COLLATERAL PHASES OF PROCUREMENT OBSERVED DURING SURVEY

As explained in the definition of procurement (see Part I), many activities beyond mere buying are included in the operation of a successful system. They include not only matters of managerial policy, but also bookkeeping, storeskeeping, transportation and many other technical operations, all of which must be treated as a whole, in order to accomplish the purpose of the procurement effort.

The status of the procurement officer should be on a level with other officials who make the operating policies. At this point, we are offering our comment on some of the concurrent services we have observed with which he should be concerned.

PROCEDURES AND SYSTEMS

General: During our survey of purchasing operations, we had occasion to observe the procedures followed in various departments, and we noted the absence of any plan for their continuing review. Generally speaking, the clerical processes seem to have developed without much over-all guidance, from the days when each institution was a unit unto itself, with the result that not only the clerical processes but also the physical operations are unnecessarily cumbersome. Even such simple improvements as continuous forms, spot-carboned forms, simple types of duplicating equipment, perforating equipment, etc., are conspicuously lacking. Above all, there is too much red tape.

Particularly among the older civil service employees, there is a tendency to stay "in the groove" and not change the processes--to let well enough alone. A conventional employee suggestion system, well operated, might uncover valuable methods of saving. At the actual operating level, there is always a wealth of practical information about the jobs that administrators would do well to consider. An in-service training program might also help.

Forms Design and Control. It appears that no one exercises control over the thousands of printed forms used throughout the State. The result is waste and inefficiency, caused by lack of uniform standards governing grades and sizes of paper; lack of proper planning for printing processes; and inadequate design of form contents from the points of view of purpose of the form and work involved in preparation and use.

Direct and indirect savings from proper forms standardization would run into thousands of dollars.

Work Simplification. We have been impressed by the keen interest in better methods that exists among State employees.

A well-planned work simplification program, accompanied by a firm commitment by the administration that no employee would be discharged, demoted, or otherwise adversely affected by the program, should produce tremendous savings. Financial incentives might be needed, but should

not be permitted to dominate. Job interest should be the major influence used to stimulate employee participation.

Economies in labor, which undoubtedly would be developed through elimination of unnecessary operations, should be accomplished by transfer of personnel to other necessary work, not through reduction of the working force.

BUDGETARY CONTROLS

Under present arrangements, in order to control expenditures for equipment, all items chargeable to the capital accounts ("J" accounts) must first be approved for purchase by the Budget Director. Present procedure requires that the Supervisor of Purchases obtain such approval before he processes such requisitions for purchase. Examination of the Supervisor's files covering many such transactions disclosed few where an official approval of the budget office appears on the requisitions. Those that did show any processing by the Budget office merely were stamped "Received" in the Budget Division. Furthermore, such important documents as purchase orders and contracts carry no reference to prior budgetary approval. The Comptroller, as auditing officer, thus lacks ready reference to data of vital importance if purchases of equipment are to be restricted to items previously authorized by the Budget Director.

The present loose system should be corrected. A simple device would be to use an "approval number" method and require that such number appear on all supporting documents, including invitations to bid. (Suppliers are entitled to know that transactions are properly authorized.)

Another aspect of budget control that merits prompt attention is the existence of Section 241, Title II, Chapter 11 (General Statutes, (1949). This section concerns the cancellation of appropriations with the end of the fiscal year and leads to the transfer of contract obligations from one budget year to another. It is discussed in Part I of this report under "General Description of Present Organization."

BUSINESS MACHINES

Accounting and Statistics. In this area, the waste and ineffectiveness are appalling. There is no consistent, planned program guiding the mechanization of clerical operations. Equipment urgently needed in one department stands idle in another.

For example, costly photostating is being done by the Library--yet, cheap, efficient microfilming equipment in the office of the Secretary of State is not fully utilized. Addressograph units in the State Office Building are not working to capacity--but the Supervisor of Purchases uses typists for addressing envelopes repeatedly from the same lists.

The worst situation concerns tabulating machinery. Present installations serve only piecemeal needs. Important work, such as payrolls, accounting and pension records, is handled in an expensive, outmoded manner; whereas, use of tabulating equipment would save, to

quote a high official, "At least \$75,000." The work on payrolls, which tabulators are best, equipped to handle, is being done on addressographs; while work for which Addressographs are especially suited-- the printing of names and addresses--is being done slowly and inefficiently on tabulating machines.

A well-planned and executed program could produce immediate and substantial savings; what is more, the savings would be cumulative through the years.

Duplicating Machine Services. There are, in the State Office Building alone, a dozen different installations of office duplicating equipment. In the State Library Building, there are two more installations, and there are others in the Capitol. Our field survey indicates that there is a great deal of idle time represented in these installations. A more intensive use of them; perhaps their consolidation, at least in part; and a careful planning of their utilization should develop extensive savings. However, a slight investment would be necessary if maximum benefit were to be gained.

For example, in the State Library, the Multi-Lith equipment now reserved for the preparation of legislative bills during the sessions of the State Legislature, while modern, is inadequate. As a result, of auxiliary equipment were introduced. A relatively inexpensive collating unit would save the time of a number of clerks for the full period of the legislative sessions. An electric stapling machine would further speed up the work. So, also, would a change from the present small 10x12 inch units, which print single, 8½x11 inch sheets, to at least one large unit, which would print four at once on 17x22 inch sheets. With the necessary supporting equipment, this would permit the production of the same quantity of work in one quarter of the time, with no additional labor.

Typewriter Repair Services. Many purchase orders are issued to vendors for typewriter repair services. At the same time, the Comptroller operates a typewriter repair unit in the basement of the State Office Building. We have found that, from the standpoint of quality, the work done by this unit is good; but in quantity, it is totally inadequate for the needs of the various departments. For example, the Labor Department has its own typewriter repair man, who travels from one office of that department to another repairing machines, but has no shop facilities.

The typewriter repair unit should be modernized and its work should be expanded to include all State-owned typewriters, for inspection, minor repairs, and shop overhauling. The issuing of purchase orders to vendors for this work should be eliminated. That a typewriter repair service unit can be operated to advantage is well shown by the fact that the City of New York annually saves more than \$200,000 through the operation of a modern typewriter repair shop.

INSTITUTIONAL PROBLEMS

Livestock and Poultry Feeding. At present, State institutions insist upon private brand preparations in animal feed. In contrast to this, the University of Connecticut continues to experiment in the development of better feed formulae. Many states mix their own feeds and

do not rely upon proprietary brands; others utilize federal specifications. The Supervisor of Purchases made a survey about a year ago and learned that, with a small capital investment of not more than \$10,000 for equipment, supplemented by whatever might be needed for the acquisition of a building shell in which to house the equipment, the State would save a net sum of at least \$40,000 annually, in the purchase of feed.

Such a plant is entirely feasible. It could be located in Mansfield on a railroad siding. If it were placed in this central location, under the Supervision, of the University, the institutions and agencies would know that the scientific interest of the University's experimental staff was directed toward the proper care of the State-owned animals and poultry.

Prison Industries. Since the prison industries are the source of much of the State's printing, canned goods, farm products, metal signs and some other items, we were surprised to find no central organization guiding these industries or exercising supervision over their activities or inventories. The determination of quality standards for the products, the methods of ordering from the prison industries, the determination of prices to be charged for the articles, and many other inter-relationships between the prison industries and the using agencies are all a "no-man's land." More careful planning and more intelligent use of the facilities available in the prisons would result in substantial savings to the State. More direct supervisory attention to maintenance, plant layout, replacement of equipment, etc., is necessary.

The present practice of requiring the prison industries to bid for work in competition with commercial firms is a waste of time for all concerned, as well as a breach of faith with the other bidders. Since prison labor costs only a few cents per hour, the prison bid is bound to be the lowest, no matter how inefficient its labor may be. The only manner of bidding which might cause the prison bid not to be the low one would be padding it to insure a "profit" as is sometimes done with the intention of using the so-called "profit" for betterment of the prison machines. Much red tape and obscuring of intent would be eliminated by placing orders directly with the prison industries without commercial competition, as is now done with orders for canned products.

PERSONNEL

Roster of Employees. In our opinion the morale among employees generally would be improved by the annual or biennial publication of a roster of all State employees, which would report name, address, title, salary, department and date of entrance to the service.

The first volume would undoubtedly cause a furore, because of the lack of uniformity it would reveal, but any future job evaluation program would be greatly simplified by such a roster and the accompanying employee interest.

Property Management

Equipment and Real Property Control. The present practice of taking a annual physical inventory does not result in any better control over the equipment and real property of the State than could be secured by a perpetual inventory on punch cards. This perpetual record could be maintained by correcting it as purchases of new equipment or real property are made and as changes or disposal were effected. A carefully planned schedule for a continuous check would verify each item once every three years. Such a schedule, plus occasional random spot-checking by an auditor, should eliminate the need for the present sumbersome and costly method. A great deal of clerical and administrative time would be saved.

MOTOR VEHICLES

Car Pool. We believe the Pool is merely a palliative applied to a basically bad situation. Most of the agencies have their own cars and use the Pool merely to supplement their own services.

The practice of charging the agencies four cents a mile is unjustifiable from any point of view. If the Pool is to be operated on a direct charge basis, rather than through a budgetary appropriation, then the agencies should be charged the full cost of operating. It would be better, however, to regard the Pool as a budgeted unit, not attempting to charge other departments for its service. Much shadow boxing and paper work could be eliminated, with profit to the State. Inefficiency can be too easily concealed when service charges are made.

Maintenance and Operation. The operation of the Car Pool by the office of the Supervisor of purchases is just a minor phase of the entire question of motor vehicle operation and maintenance. In our opinion, the present methods used in assigning to State employees, for their exclusive use, cars other than those in the Pool is expensive and inefficient. Likewise, the lack of provision in most departments for the proper maintenance of equipment is also extravagant and wasteful. It is a gold mine for local garages.

The subject of motor vehicle maintenance, operation and assignment should be made the responsibility of some one agency of the State Government, which should set up standards for service, repairs, preventive maintenance, assignments, etc. Some of the larger departments now do this for their own operations.

If a Department of Public Works is created, that would probably be the logical agency to handle the vehicle problem. It would probably be necessary to make exceptions in the case of cars in the outlying districts, police cars, and other specialized equipment.

PART IV

DRAFT OF PROPOSED LEGISLATION CREATING A DEPARTMENT OF PURCHASE

Sec. 1. Organization of department. There is hereby established a department of purchase, the head of which shall be the commissioner of purchase, who shall be appointed by the governor.

(1) The commissioner shall receive such salary as shall be fixed by the General Assembly and shall furnish such bond as shall be prescribed by the comptroller. The Commissioner shall hold office until his successor has been appointed, or until his resignation, or his removal by the governor. Prior to his appointment the commissioner shall have had at least two years experience in a position of executive responsibility in the purchasing office of a private or public organization of comparable size.

(2) The commissioner shall appoint one deputy.

(3) The commissioner shall appoint a director of purchase and a director of stores who shall have had at least five years responsible purchasing or storeskeeping experience, respectively, with private or public organizations which operate upon justified requisitions based upon stores control with perpetual inventories of stocks.

(4) The commissioner shall appoint subject to civil service regulations a supervisor of purchases.

(5) The commissioner shall have power to appoint and to remove his assistants, subject to civil service regulations, to fix their salaries within applicable appropriations and regulations, and to prescribe their duties.

Sec. 2 Powers and duties. The commissioner shall have sole authority, and it shall be his duty, subject to the provisions of this act, to:

(1) purchase, store and distribute any or all supplies, materials and equipment required by any department or agency of the state government. All purchases other than for stock for estimated needs made under sub-division (3) of this section and all issues from such stock shall be on justified requisitions.

(2) contract for contractual services required by any department or agency, subject to the provisions of section 4 below.

(3) establish and maintain one or more storehouses, develop and operate therein a uniform modern system of stores control based on perpetual inventory, and shall maintain on hand sufficient stock of staple commodities to supply the estimated current need of the departments and agencies.

(4) inspect, accept or reject all deliveries of supplies, materials and equipment tendered pursuant to purchases made under this act.

(5) establish and operate a central duplicating and mailing room for the state departments and agencies located in the capital.

(6) dispose of all surplus, obsolete, unused or waste supplies, materials and equipment.

Sec. 3 Disposition of surplus, obsolete, unused or waste supplies materials and equipment. All surplus, obsolete, unused or waste supplies, materials and equipment not required in storehouses or by any department or agency, shall be surrendered to the commissioner and disposed of by him by transfer, sale or otherwise.

(1) If the estimated sales value of such property is \$2500 or less, requests for offers shall, if possible, be made to at least three persons, firms, or corporations separately engaged in the regular business of selling and buying materials of the class offered, and all bids from other bidders shall be duly considered in making an award. Award, if any, shall be made to the highest responsible bidder. However, no such award shall be valid without the prior approval of the comptroller.

The prior approval of the comptroller shall not be required on any sale of such property when such sale is made to the highest responsible bidder either at public auction or after receipt of sealed bids, and after advertisement as required by section 6 of this act.

The classification of materials of the "same class" shall be as determined by the commissioner. He shall file such classification in the offices of the department of purchase and of the comptroller where it shall be available for public inspection.

(2) Supplies, materials and equipment involving transactions of \$2500 or less may be exchanged for other personal property of an equivalent value or may be delivered in part payment for other personal property at a value fixed and determined by the commissioner with the approval of the comptroller, except that where two or more competitive bids are received on transactions, the approval of the comptroller shall not be necessary.

However, if the current market value of the item to be purchased and the current market value of the personal property to be transferred in exchange shall together represent a cost in excess of \$2500, the transaction shall then be based on sealed bids received after advertisement as required by section 6 of this act.

(3) All personal property which the commissioner considers of no value or use to the state may be destroyed or otherwise disposed of in the most advantageous manner under the direction of the commissioner who shall file a certificate of such disposition with the comptroller. This provision shall not apply to public records until their destruction or disposition has been duly authorized as provided by statute.

Sec. 4 Scope of Purchasing Power. The term "supplies, materials and equipment" as used throughout this act shall be construed to mean any and all articles or things which shall be required by or furnished to, or used by, any department or agency of the state government, including any and all printing, binding and publications of laws, stationery, forms, journals and reports. The term "contractual services" shall be construed to mean any and all telephone, gas, water, electric light and power service, laundering and cleaning service, exterminating service, insurance, and the rental, repair or maintenance of equipment, machinery or other state-owned personal property.

Sec. 5. Rules and Regulations. The commissioner, with the approval of the board of standardization hereinafter created and the governor, shall adopt, promulgate and from time to time amend rules and regulations for the following purposes:

(1) authorizing, in writing, any department or agency of the state government to purchase directly, without the intervention of the department of purchase, certain specified supplies, materials, equipment or contractual services, and describing the manner in which such purchases shall be made.

(2) authorizing, in writing, any department or agency of the state

government to purchase any supplies, materials, equipment or contractual services in the open market for immediate delivery in actual emergencies, defining such emergencies, and describing the manner in which such purchases shall be made and afterward reported to the commissioner.

(3) prescribing the manner in which supplies, materials and equipment shall be purchased, delivered, stored and distributed.

(4) prescribing the dates for submitting requisitions and estimates of requirements, the future periods which they are to cover, the form in which they shall be submitted, the manner of their authentication and their revision by the commissioner.

(5) prescribing the manner of inspecting all deliveries of supplies, materials and equipment, and of making chemical, physical and other tests of samples submitted with bid and samples of deliveries to determine compliance with the terms of the order or contract.

(6) requiring periodic reports by state departments and agencies of stock and surplus, obsolete or unusable supplies, materials and equipment on hand and prescribing the form of such reports.

(7) providing for the transfer to or between state departments and agencies of supplies, materials and equipment which are surplus in one department or agency but which may be needed by another or others, and for the disposal of supplies, materials and equipment which are obsolete and unusable.

(8) determining whether or not a deposit or bond is to be submitted with a bid on a purchase contract or sale or a bond is to be furnished for the faithful performance thereof and, if required, prescribing the amount and form thereof and providing that such surety shall be forfeited if the successful bidder defaults.

(9) prescribing the procedure and the forms for securing from bidders and prospective bidders, the data necessary to determine whether or not they are responsible.

(10) providing for such other matters as may be necessary to give effect to the foregoing rules and the provisions of this act.

Rules and regulations and amendments thereto shall be filed by the commissioner in the offices of the department of purchase and the comptroller and shall be available for public inspection.

Sec. 6. Purchasing and contracting procedure. All purchases of and contracts for supplies, materials and equipment, contractual services and all sales of personal property shall be based, wherever possible, on competitive bids.

(1) If the amount of the expenditure or sale is estimated to exceed \$2500, sealed bids shall be solicited by public notice and advertised in each county of the state in at least one newspaper published or circulated therein, at least five calendar days before the final date of submitting bids. Such notice shall include a general description of the commodities or the contractual services to be purchased or personal property to be sold and shall state the amount of the surety, if any, where bids, forms and specifications may be obtained and the time and place for the opening of the bids. The commissioner shall also solicit sealed bids by sending requests to prospective suppliers and posting notice on a public bulletin board in the department of purchase.

All purchases shall be based upon specifications which are definite and certain, which permit of competition and which shall not be at variance with standard specifications approved by the board of standardization; provided, however, that the board of standardization may exempt

any agency from the necessity of conforming to such standard specifications in any particular case.

(2) All purchases or sales of less than \$2500 in amount shall be made in the open market without newspaper notice but wherever possible shall be based on at least three competitive bids.

(3) All open market purchase orders or contracts made by the commissioner or by any state department or agency, shall be awarded to the lowest responsible bidder, taking into consideration the qualities of the articles to be supplied, their conformity with requirements of the bid and their suitability to the requirements of the state government. The commissioner may waive informalities of bids. All bids may be rejected by the commissioner and new bids solicited if, in his judgment, the public interest will be served thereby. If all bids received are for the same unit price or total amount, the commissioner shall have authority (a) to award the contract to one of the tie bidders by drawing lots in public, or (b) to reject all bids and to purchase the required supplies, materials, equipment or contractual services in the open market, provided the price paid in the open market shall not exceed the lowest contract bid price.

(4) It shall be the duty of the commissioner to discourage identical bidding and to endeavor to obtain as full and open competition as possible on all purchases and sales. The amount of each bid, with the name of the bidder, shall be entered on a record, and such record with the successful bid indicated thereon shall, after the award or contract be open to public inspection.

(5) All contracts shall be approved as to form by the attorney general and a copy of each contract shall be filed with the comptroller.

(6) Instead of executing formal contracts, the commissioner may provide in the bid that the mailing to the bidder by the department of purchase of the contract order or of a notice of award for any of the items for which a bid is submitted shall constitute a contract for the items specified in the order or notice of award, subject to the provisions of the standard form of contract approved by the attorney general, as if such contract had been duly signed by the commissioner and the bidder.

Sec. 7. Encumbrance of funds. Except in emergency, no purchase shall be made until the comptroller shall have certified that the unencumbered balance in the appropriation or appropriations concerned, in excess of all unpaid obligations, is sufficient to defray the amount of such order or contract.

Sec. 8. Emergency purchases. The commissioner may authorize, in writing, any department or agency of the state government to purchase in the open market, without filing a requisition or estimate, specific supplies, materials or equipment for immediate delivery to meet actual emergencies arising from unforeseen causes, including delays by contractors, delays in transportation and unanticipated volume of work. A full written account of the circumstances necessitating any such emergency purchase together with a requisition and a record of the competitive bids upon which the emergency purchase was based shall be submitted without delay to the commissioner by the head of the using agency concerned. The record of such transaction shall be open to public inspection.

Sec. 9. Unlawful purchases. Whenever any department or agency of the state government shall purchase or contract for any supplies, materials, equipment or contractual services contrary to the provisions of this act, or the rules and regulations made thereunder, such order or contract shall be void and of no effect. The head of such department or agency shall be personally liable for the cost of such order or contract, and, if already paid for out of state funds, the amount thereof may be recovered in the name of the state in appropriate action instituted therefor.

Sec. 10. Board of Standardization. There is hereby established a board of standardization which shall consist of seven members. The members* of the board of standardization shall be the commissioners of purchase, highways, education, corrections, and hospitals, the director of the budget and the comptroller, or their authorized representatives. The commissioner of purchase shall be the chairman of the board. The chief engineer of the department of purchase shall serve as secretary to the board. All members and the secretary shall serve without additional compensation.

I. It shall be the duty of the board of standardization to:

(1) classify the requirements of the state government for supplies, materials, equipment and contractual services.

(2) adopt as standard, the minimum number of quantities, sizes and varieties of such supplies, materials and equipment consistent with the efficient operation of the state government.

(3) prepare, adopt, promulgate and enforce written specifications prescribing such standards, and

(4) perform such other duties as may be necessary to effectuate the purposes of this act.

In the preparation and revision of standard specifications, the board shall seek the advice, assistance and cooperation of the state departments and agencies concerned and ascertain their requirements. The board shall have power to make use of the laboratory of any or all departments or agencies and engineering facilities of the state government and the technical staffs thereof in connection with the function of preparing and adopting standard or tentative specifications. Each specification adopted for any commodity shall, in the opinion of the state departments and agencies which use them. All specifications must be definite and permit of competition. After its adoption each standard specification shall, until revised or rescinded, apply alike in terms and effect to every future purchase and contract for the commodities described in such specifications.

II. The board may promulgate "acceptable brands lists" after newspaper publication of its intent so to do.

Sec. 11. Patented articles. Except for repairs, no patented articles shall be advertised for, contracted for or purchased, except under such circumstances that there can be a fair and reasonable opportunity for competition, the conditions to secure which shall be

*Titles subject to change, depending upon whether or not other departments are created. Final composition of board should encompass points of view as suggested.

prescribed by the board of standardization, unless the board of standardization shall find that it is to the best interest of the state in a particular case to purchase and shall authorize the purchase of a patented article as to which competition cannot be secured.

Sec. 12 Annual report. The commissioner shall submit to and at the time prescribed by the governor an annual report on the work of his office and may, from time to time, suggest changes in this act which he deems necessary.

Sec. 13. Continuity of powers and duties. The department shall have power and duty to continue any business commenced by the supervisor of purchases prior to the effective date of this act.

Sec. 14 Transfer of officers and employees. All employees and officers in the classified civil service who, on the effective date of this act, are employed in the purchasing division of the department of finance and control shall be transferred to the department of purchase without civil service examination and without affecting existing compensation or pension or retirement rights, privileges or obligations of such officers and employees.

Sec. 15. Conflicting acts repealed. All acts and parts of acts and all administrative rules and regulations inconsistent with the provisions of this act are hereby repealed.

Sec. 16. Effective date. This act shall be in effect on and after _____ date.

